Date: November 21, 2024.

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001.

Scrip Code: **541167**

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.

Symbol: **YASHO**

Dear Sir/ Madam,

Sub: Earnings Conference Call Transcript for Q2FY25

With reference to the captioned subject matter, please find attached herewith the earnings conference call transcript for Q2FY25 for your reference and records.

The said transcript of the earning conference call is also made available on the Company's website i.e. www.yashoindustries.com

You are requested to take the above information on record.

Thanking You,
Yours faithfully,
For Yasho Industries Limited

Rupali
Sugriv
Verma

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Rupali Sugriv Verma
Date: 2024.11.21
13:53:00 +05'30'

Rupali Verma
(Company Secretary & Compliance Officer)
Membership No. A42923

Encl: a/a

"Yasho Industries Limited

Q2 & H1 FY '25 Earnings Conference Call"

November 14, 2024

MANAGEMENT: **MR. PARAG JHAVERI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – YASHO INDUSTRIES LIMITED**
MR. DEEPAK KAKU – CHIEF FINANCIAL OFFICER – YASHO INDUSTRIES LIMITED

MODERATOR: **MS. MASOOM RATERIA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Yasho Industries Ltd Q2 and H1 FY25 Earnings Conference Call hosted by Orient Capital. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Masoom Rateria from Orient Capital.

Masoom Rateria: Thank you. Good evening everyone. Thanks for coming to Yasho Industries Q2 and H1 FY25 business call. Today we have with us from the management Mr. Parag Jhaveri, the Managing Director and CEO along with Mr. Deepak Kaku, the CFO. Before we proceed with the call, I would like to give a small disclaimer that the call we contain forward-looking statements which are based on the business opinions and expectations of the company as on today. A detailed disclaimer has been given in the company's investor presentation.

I hope everyone had a chance to go through it which was uploaded on the stock exchange. Now, I would like to hand over the call to Mr. Parag Jhaveri. Over to you, sir.

Parag Jhaveri: Good afternoon, ladies and gentlemen. On behalf of Yasho Industries Ltd, I extend a warm welcome to all of you joining us for today's result call. Let me wish you also a happy Deepavali and hope that all of you must have had a good break.

We greatly value your time and interest in our company's performance. I trust you have had a chance to review the financial results and investor presentation for Q2 and H1 FY25 which are available on the stock exchange and our company's website. During this quarter, we achieved sales for INR167.35 crores which represents a 17% year-on-year increase. The increase in sales was on account of 16% increase in sales volume.

This quarter, due to a favourable product mix, we have achieved an EBITDA of 18.8%. Going forward, we estimate that EBITDA will remain in the range of 17%-19% for the next few quarters while operations in Vapi remain stable. The Pakhajan facility is currently operating at a 15% utilization. Several of our products are under various stages of approval and we estimate that the Pakhajan facility should achieve a 60% utilization rate in Q4 FY25. This quarter, export contributed about 66% of our sales.

The industrial business contributed 82% of sales. Our US subsidiary will be operational in the next few weeks and we expect that it will help us reach more customers in the US market. Globally, the prices of chemicals have been facing a downward pressure for quite some time and we estimate that will continue to remain at this level for the next two quarters.

We are also seeing some slowdown across the sector and continue to be cautious in our approach. Despite these challenges, we continue to gain market share. Several of our products from the Pakhajan facilities are under various stages of approval and we expect the business to develop in the next three to six months.

Despite short delivery, short-term challenges, we continue to engage with our customers and are confident of our long-term approach. Now, we can begin with question and answer.

Moderator: Thank you very much. We have first question from the line of Aman Thadani from Solidarity Investment Managers. Please go ahead.

Aman Thadani: Sir, I have some questions. My first one is, the gross margins have meaningfully improved on a Q1-Q2 and Y-on-Y basis.

Parag Jhaveri: Your voice is not clear.

Aman Thadani: So, sir, my first question is, the gross margins have meaningfully improved on a Q-on-Q and on a Y-on-Y basis. It's touching around 45%. But the split between the customer and the industrial hasn't meaningfully changed. So, just wanted your views on what led to this improvement and what is the sort of sustainable gross margins that one should work with going ahead?

Parag Jhaveri: There were two factors. Number one was the product mix, which helped us to improvise the product margin. And number two, in this quarter, we have a better contribution came from the Pakhajan unit that has also helped us to improvise the margin.

So, we hope that we should be able to maintain this margin going forward. We cannot say confidently. As you know, the chemical sectors are at the moment under the price pressure. And that is purely the time which will say that whether we will be able to hold, we can improve further on this, or we will not definitely deteriorate from here. So, that's why we are giving a guidance of 17% to 19%. We are not saying we will be able to do that.

Because currently, a lot of changes are happening in the market. And one should be a little bit cautious in its approach and the commitment.

Aman Thadani: But the current EBITDA margins that were delivered in this quarter, it seems that it was majorly led by the gross margin improvement. So, going ahead, if we are not sure of the 45% gross margin, then shouldn't the EBITDA margins be lower in the quarters to come?

Parag Jhaveri: I did not say that we will grow at 19%. I said between 17% to 19%. So, we are cautious here. I'll be happy to cross 19% also. But the market circumstances should support us here. So, we have to wait and watch.

Aman Thadani: Okay. Very well, sir. So, my second question is, sir, management has given an expectation of 60% capacity utilization in Pakhajan Q4. So, since we are very near to Q4, it's just four months away. So, sir, what probability would you assign to this capacity utilization number?

Parag Jhaveri: Very high probability.

Aman Thadani: Okay. Understood. And so, when I look at a balance sheet very closely, the inventories have sort of doubled in September as compared to March 2024. So, does this inventory sort of indicate that we have received confirmed orders for the Q4?

Parag Jhaveri: Indicates two things. Number one, that we need to produce some continuous production at the Pakhajan to give trial material to various customers. And also the confirmation commitment, what we are expecting from customers. Considering that factor, we have increased our inventory level of raw material as well as finished goods at Pakhajan.

Aman Thadani: Okay. So, these are my questions. I'll get back in the queue. Thank you and best of luck.

Moderator: Thank you. We have next question from the line of Nigel from Leo Capital. Go ahead, please.

Nigel: Good afternoon, sir. A few questions from my end. Firstly, what sort of market size is there for the products that we are making on the lubricant additive side and what rate is the market growing at?

Parag Jhaveri: I think we discussed in the past calls also, lubricant market size should be in the $10 to $12 billion and the market growth is between 3% to 4%.

Nigel: Okay, $10 billion dollars and 3% to 4% growth rate, right?

Parag Jhaveri: Yes.

Nigel: Okay. My next question is on the same lubricant additive side. How much is our manufacturing cost advantage versus our competitors in USA and Europe?

Parag Jhaveri: I have no idea. I cannot comment on that on someone's competitiveness.

Nigel: Okay. Understood, sir. And how many customers do we have on the lubricant additive side and what sort of customer concentration is there? Will this also largely be an export business or is it that the domestic will be large?

Parag Jhaveri: It's a mixture of both the things. You have seen that we are able to maintain our export share and the domestic share almost consistently with a plus minus 1%. So, we are growing equally in a domestic market alsoas well as in the export market and we have a wide customer base for our entire product range. We have more than 2,000 customers today business. So, I won't say we have been highly concentrated in one place.

Nigel: Okay. Sir, could you quantify approximately for the customer concentration at present if possible?

Parag Jhaveri: I said about more than 2,000 customers we have today. I don't have exact split of my category wise is that how much in industrial I don't have that at the moment. If you need to send an email and we'll try to get you some information whatever we can provide you.

Nigel: Sure, sir. Thank you. That's it from my end.

Parag Jhaveri: Thank you.

Moderator: Thank you. We have a question from the line of Gautam Rajesh from Nonbridge Capital. Go ahead, please.

Gautam Rajesh: Hi. Good evening. Thank you for the opportunity. So, I have two questions. My first question is how much incremental capex would be needed to add capacity on the lubricant side and when will the new capacity come up, sir?

Parag Jhaveri: How much we need we can't say that today because how much we want to grow, how much additional we want to put everything depends on that. So, I cannot say that. Number two, we generally we look at the next capacity increase once we achieve a 70% plus utilization then we start working on a ramping up the capacity. This time we are seeing a one quarter delay. So, I don't think we will be looking very soon, but maybe after 6 months we can look at it once we come close to the 70% utilization of our any kind of an assets.

Gautam Rajesh: Okay, sir. And how many days of net working capital is there in the lubricant additive business, sir?

Parag Jhaveri: I don't have that split up for - we have company-wise split. We don't have anything for a particular segment.

Gautam Rajesh: Could you give any rough estimation, sir?

Parag Jhaveri: No, I don't. Sorry, I cannot provide you on the rough estimate because if I don't have data, how can I give those some rough estimates.

Gautam Rajesh: Understood. Those are my two questions, sir. Thank you.

Moderator: Thank you very much. We have a question from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Yes, good evening and thank you for the opportunity. So, sir, our Pakhajan utilization for this quarter is 15%. So, was it in line what we have earlier envisaged and going forward what should be the utilization in third quarter?

Parag Jhaveri: I think for quarter 2, we have anticipated only 20% utilization in the past. There are some delay happening on an approval side from the customer, final approval. So, that's the reason we have lowered down our utilization target.

Pradeep Rawat: Yes. And for the third quarter, what would be the guidance?

Parag Jhaveri: It should be I think between 35% to 40%.

Pradeep Rawat: Okay. And do we still hold the 90% utilization for FY26?

Parag Jhaveri: Yes.

Pradeep Rawat: Okay, understood. And with respect to our next phase of capex, so what could be the cost of capex for similar capacity that we have currently at Pakhajan?

Parag Jhaveri: See I don't think if we have to have similar facility then could be about INR200 crores to INR250 crores for the similar facility, but we don't know which direction we are going to expand, what product line we are going to expand. So, I cannot answer that question today, but if you ask me the existing doubling of the capacity, what we spend is about INR200 crore.

Pradeep Rawat: Okay, understood. And one last question. You gave a comment that the end market is slowing down. So, can you highlight which end market of ours is slowing down?

Parag Jhaveri: I think what we saw that the people are cautious in Europe and USA for overall industrial segment, little slowdown we see. I won't use the word slowdown, but there is a lot of competition and the price dropping. So, the customers are cautious. Why to commit when the next buying will be cheaper for us?

So, that's what we see. People want to take advantage of the dip and that's a normal way how people work. So, to mitigate that we work on a long-term contract where we have the price commitment, the volume commitment for a quarter or 6 months and that is helping us to just come over the issues.

Pradeep Rawat: Okay, understood. Thank you and wish you all the best.

Moderator: Thank you. We have a question from Saurav Gupta from Maximal Capital. Please go ahead.

Saurav Gupta: Yes, hi sir. Sir, this 90% utilization for Pakhajan is for the entire year of FY26 or is it the exit sort of FY26 guidance?

Parag Jhaveri: FY26 entire year.

Saurav Gupta: So, now that like maybe by first half of FY26 you would already be close to that and you are saying that you would look into next capacity build up after reaching there. So, maybe at the end of quarter 1 of FY26 or somewhere in quarter 2 of FY26 we will get to know about the further expansion plans?

Parag Jhaveri: I think so. Yes, you are right.

Saurav Gupta: Okay. And sir you had also mentioned that in your end markets the prices are coming down. So, how are we safeguarding ourselves because is the raw material prices that we use are also falling in tandem thereby helping us to maintain the spreads or how will we safeguard our margins or the spreads at the gross level?

Parag Jhaveri: See, we do it by two way. Number one at the moment what we saw that the raw material prices has dropped and has been kind a bit of settling down, but what we also seen in conjunction the freight cost is also coming down which had gone up before the 6 months and when the freight cost come down the freight become reasonable and your price comes down. While against that we have our large portfolio of product somewhere we could be able to get a better margin in a certain product or some of the product we have some good hold on quality and the limited supply chain. So, that is helping us.

So, that was a result of Q2 where we could have a good product mix reshuffling which helped us to improvise the margin. Even though we have grown volume by 17% top line did not increase if you look at the quarter-to-quarter we did not increase even top line. Even though there was a growth in our quarter-on-quarter basis, but we could improve as a margin and that shows our ability to sustain it.

Saurav Gupta: And in general I am talking about the gross profit margin. So, they have been very volatile in this quarter. For example, it is up 1100 basis points compared to last quarter. So, it is entirely driven by product mix I understand, but what can be the stable sort of a gross profit margin that we should pencil in for your company as a whole?

Parag Jhaveri: I think we will be striving for in the range of about 40% that was historically the 30% to 40% gross margin and that is what we like to strive there and then improvise further from there.

Saurav Gupta: No, but the mix is now changing in favor of Pakhajan?

Parag Jhaveri: No I did not say there is change in Pakhajan, it's in the Yasho level.

Saurav Gupta: Sorry sir I didn't get you.

Parag Jhaveri: We did not comment that the mix change because of Pakhajan mix change at across the Yasho level, Yasho plants.

Saurav Gupta: Okay. So now with the new capacity in Pakhajan we should be pencilling in 38% to 40%?

Parag Jhaveri: Yes we will see – see that has to be the minimum level. We will try to improvise further on that.

Saurav Gupta: Okay. So, basically when you say your EBITDA margin should be at least 17% going forward maybe the gross profit margins will decline, but you will have much better absorption of your fixed cost which will help you maintain your similar sort of EBITDA margin at least?

Parag Jhaveri: Yes, as the Pakhajan ramp up the facility the fixed cost will be started covering up here. Also, the expenses will be started taking care. The more we sell from there, the more there will be rationalization and that will improvise our overall margins.

Saurav Gupta: Okay. Thank you and all the best.

Moderator: Thank you. We have a question from the line of Manish Gupta from Solidarity Investment Management. Please go ahead.

Manish Gupta: Parag bhai, could you give some colour on what's happening with your competitors right now? One reads a lot about a lot of chemical plants closing down in Europe. Anything you can share specific to our business and our products?

Parag Jhaveri: We have not come across, Manish bhai, by any chemical plant of our company shutting down in Europe. We have not seen that. We know one or two people had some issues on a certain site but that could be temporary. They will be bounced back, pretty sure, or they will find an alternate.

So, cannot comment on that unless and until we have a firm news on that part of it. I can say that. Because I have not come across any of our competitors shutting down of the product line in which we are existing.

Moderator: Thank you, sir. I suppose the line for the participant got disconnected. We will proceed with the next question from Lavina Jagwani from Sparks Capital. Go ahead, please.

Lavina Jagwani: Hello. Sir, I see that for the first half of this year you have done revenues of close to INR340 crores. I just wanted to ask what is your outlook for the second half, and how confident are you on achieving the target of INR900 crores of revenue this year?

Parag Jhaveri: I don't think so. We will be able to touch the INR900 crores purely because of the selling price dropping. We are very confident to have the total volume expansion or the volume what we are foreseeing that we will be able to sell. But the top line will be going to be challenging time because despite increasing the volume growth, there is no top line growth purely. The raw material prices are down and so the selling prices are down.

Lavina Jagwani: Okay. So what will be the target for this year, sir?

Parag Jhaveri: I think we will be able to give you that target somewhere in a January call only purely because we see somewhere some Sparks -- but Sparks are not living for a long time. It's just come and go. So we need to wait and watch. We are being cautious as I said in my call that we want to be cautious and we don't want to be over committing something in this current market.

Lavina Jagwani: Okay. And for FY '26 revenue target?

Parag Jhaveri: I think we will still hold that what we have committed for about INR1250 crores FY '26. That was already on the lower band side so we don't see that challenge.

Moderator: We have a question from Shubham Jhawar from Dexter Capital. Go ahead, please.

Shubham Jhawar: Hi, sir. So basically, I just want to revisit the question one of the participants had asked earlier. So our gross margins have expanded to 47% this quarter compared to 35% last year, same quarter, right? And when I see the investor presentation, the product mix is also similar between the two quarters. So basically, this quarter, the product mix is 82% for industrial right. So product mix hasn't materially changed. So what is the exact reason here? Like why is the gross margin so high?

Parag Jhaveri: Good question. Good observation. Okay. Within that product segment, we have a number of products. In this segment, we must be having a product more than 100 products somewhere. So yes, within that 100 product region can help us to improve this margin profile. We are trying to push those margin products also and also our conventional products side by side to see that how we can maintain this growth and momentum here.

But yes, what you see is correct. It's a part of the big portfolio of our industry segment. There's not big change in the segment wise, but within the segment what you see has a change and which is impacted.

Shubham Jhawar: So basically, you are saying the mix between industrial which are higher margin has been sold more this quarter, right?

Parag Jhaveri: Yes.

Shubham Jhawar: So my second question is, so basically, as I rightly understand from your answer in one of the previous questions, that the increase in inventory this year is due to the increased contribution from our trial that we have to give to our clients at for the Pakhajan facility, right? But that has now led to our working capital increase, like almost the cash conversion has increased to around 200 days compared to 100 days in FY '24, right? So what would be our guidance for the working capital days going forward? Like what days is it to remain?

Parag Jhaveri: It will come back to 110-115 by March.

Shubham Jhawar: By March of this year, right?

Parag Jhaveri: Yes.

Shubham Jhawar: Okay. So another question was that in the previous calls, you had mentioned that we would like to keep our debt to EBITDA in the range of 2 to 2.5 or at max 3 times EBITDA, right? But as of now, it is 5 times EBITDA. So by when are we targeting to reach back to 2-2.5 times EBITDA?

Parag Jhaveri: That's not in my hand. I don't have crystal ball, but we'll definitely work towards that aggressively. We are expecting to come close to 3 by FY '26. And if still things change, I think we should be there.

Shubham Jhawar: Understood. Okay. So my last question would be, you mentioned that we are seeing some down one trend in the prices, right? But if I look at the investor presentation there, it is mentioned that our volumes had increased by 18% Y-o-Y. Is that correct?

Parag Jhaveri: Yes.

Shubham Jhawar: And our revenues are also in line, like it is more or less, the revenues have also increased by the same number, 16% Y-o-Y, right? So that means in this quarter, we did not have any impact from the downward trend in prices. Is that understanding correct?

Parag Jhaveri: No, that's wrong. That's why the product mix played a big role there. Some of the product we could get the better margins, better top line.

Shubham Jhawar: So basically that industrial thing has played out here as well, is what you're saying?

Parag Jhaveri: Yes. Yes.

Shubham Jhawar: And how much would be the downward trend in prices impact on going forward, let's say in Q3 and Q4 of this year?

Parag Jhaveri: I also said before few minutes that we see the lower end price stability happening now. We do see somewhere some spark of price going up, but then again, spark goes up and price coming down. So there is some volatility at the lower band. But I think what we believe that the chemical pricing, this is at the bottom side, the below this, we don't see the price to fall unless something dramatically happened globally.

Shubham Jhawar: Okay. And so what was Pakhajan share of revenue this quarter? As in what is the revenue number from Pakhajan facility this quarter?

Parag Jhaveri: I don't have that number, my dear friend.

Shubham Jhawar: Understood. Thank you so much, sir. This was all from my end.

Parag Jhaveri: Thank you.

Moderator: Thank you. We have a question from the line of Pradeep Rawat from Yogya Capital. Go ahead, please.

Pradeep Rawat: Yeah. So, sir, you earlier alluded our debt to EBITDA for FY '26 would be around 3x. So is there any consideration for an equity raise for next Phase of capex?

Parag Jhaveri: Well, we will take a proper call, appropriate call when we decide to go for the next capex. Anything is too premature to speak at this moment as the next capex round is not on the table as of now, unless and until we achieve 70%. And looking at the current scenario, we are only expecting to achieve that by the Q1 of FY '26. So we will take at that time appropriately how we want to do that capex either through raising equity or whatever it is. But it will be too premature for me to comment.

Pradeep Rawat: Yeah, understood. And for Pakhajan facility, what would be the EBITDA impact from the fixed cost for this quarter?

Parag Jhaveri: We don't do plant-wise, we do the company-wise or working on margins. And that is definitely Pakhajan has contributed because it started producing more and selling more products. So it will be having a positive impact on our gross margins.

Pradeep Rawat: Okay, understood. And can you elaborate on the pricing impact for this quarter? What was the pricing decrease?

Parag Jhaveri: At least 10%-15%.

Pradeep Rawat: 10%-15%?

Parag Jhaveri: Yes.

Pradeep Rawat: Okay. Thank you.

Moderator: Thank you very much. We have a question from Mr. Aman from Blue Sky Capital. Go ahead, please.

Aman: Yes, sir. Since around 60% of our revenue comes from exports, and first question is mine, how much of revenue comes from USA? And we have already seen a shift in government over there. And Trump has been very clear in tariff increases across all, specifically in China. So what kind of opportunities or threats you see due to that shift for our company or our industry?

Parag Jhaveri: In fact, we are waiting for this information that how they are going to take a policy decision. That government that they are going to favor India or they are going to punish somebody, we don't know yet anything. I will not like to comment on that. But I can say that USA has a sizable proportion in our export.

If you look at the pie chart of export, USA and Europe both combined together is about more than 70% revenue come from industrial segment. And we are very much optimistic on that, that the major growth will come from the matured market. Even though it's grown by 2%, 1%. For us, the 2% is a very big growth in the matured market than the when we talk about a 6% growth, 7% growth in India, it's quite sizable. And we believe that will be continued, whatever indications we have from our customers are quite positive on that side.

Aman: Sir, in his previous term, we already had a shot up in our revenue also. So what was at that time our understanding in his previous term?

Parag Jhaveri: What was it? I didn't get your question.

Aman: No, in terms of previous term, it was clearly beneficial for us. Is that your understanding, right sir?

Parag Jhaveri: Yes.

Aman: Okay, got it. That's it from my side. Thank you

Parag Jhaveri: Thank you.

Moderator: We have a question from Darshil Shah from VT Capital. Go ahead, please.

Darshil Shah: Hi, sir. Thank you for taking my question. My first question would be, could you provide insights into which segment within the industrial chemicals division contributed the most to the volume growth during the recent quarter?

And additionally, what are your projections and guidance for volume growth in this segment for the remainder of FY'25, considering the current market dynamics and the demand trends?

Parag Jhaveri: We, again, we don't give a split what the segment is driving, but what we see that the industrial will be the driving force for the Yasho. And we foresee that the volume, major growth will come from the industrial chemical volume for us in this segment. I can say that we are seeing, has to be growth by about 30%-40% volume growth to achieve the over sales target, what we have in our mind.

And we have seen some delay in that happening, purely because of some of the approvals are taking a little longer time. But now, with some indication, yes, we are confident that we should be able to achieve a 60% utilization by end of FY'25.

Darshil Shah: Okay. Another follow-up would be, what is the current status of customer approvals for the new plant? And additionally, could you also outline the expected timeline for finalizing these approvals, including any potential challenges that you foresee in this process going forward?

Parag Jhaveri: No, we don't see a potential challenges. There are a lot of approvals. Sometimes, there is a big shift customers should take at their end. And we see that in that, they are taking a little longer time to go ahead. And when we are making a major decision to move away from your existing supply chain, it takes time, we understand. And certain places also, the customers are waiting for their final customer approval.

So, it's not only the customer approval, but they need to wait and get approval from their customer, so change of source. So, those dual things are hampering. And the kind of information what we have, we should be started rolling out our product from end of this month or early next month. And the things should be in control within next few weeks or months.

Darshil Shah: Okay. Thank you for the detailed answer.

Parag Jhaveri: Thank you.

Moderator: Thank you very much. We have a question from Utkarsh Somaiya, Individual Investor. Please go ahead, sir.

Utkarsh Somaiya: Hi, can you please tell us what your sustainable tax rate will be and any plan for debt repayment in the next two years?

Parag Jhaveri: Well, we have to start repaying debt from April 25. We need to start repaying our debt. So, we are going to repay debt of about INR25-INR30 crores in FY'26. And then FY'27, year-on-year we have to start repaying our debt. So, it's in our system and we are going to repay that.

Utkarsh Somaiya: So, out of that around INR580 crore debt that you hold, you will approximately pay INR20 to INR30 crores per annum. Is that right?

Parag Jhaveri: Well, out of INR580, only the INR330 is a long-term debt. Rest is our working capital, my dear friend. So, working capital, we don't repay. Basically, long-term debts will be start repaying.

Utkarsh Somaiya: Okay. And the sustainable tax rate going forward?

Deepak Kaku: It's the same, 25.4%.

Utkarsh Somaiya: So this quarter, it was less, minus 26.

Deepak Kaku: Because earlier quarter, we had made loss. So, if you look at the H1 number, it will be 25.4%.

Utkarsh Somaiya: Okay. And one last question. So, the capex for phase 1 you did was INR600 crores, of which INR400 crores was utilities. So, if you decide to expand equivalent capacity expansion, then you will be spending only INR200 crores going forward in case you decide to expand?

Parag Jhaveri: Yeah, plus minus.

Utkarsh Somaiya: Plus minus. So, ROCE on incremental capex will be very high.

Parag Jhaveri: Obviously, because we have said that we have bought a much larger land. We have done a basic infrastructure creation which should take care of the future needs. Our effluent treatment plant and other things has to be in line with that.

Otherwise, the GPCB will not give us the full permission. So, the money spent is on entireinfrastructure. We have created our admin utility, warehousing, everything to take care of the future needs. So, right now, what we need is only additional machineries and maybe a small building. Nothing beyond that.

Utkarsh Somaiya: Perfect. Thank you so much. Good luck.

Moderator: Thank you very much. We have next question from Sakshi Trivedi from Vijay Associates. Go ahead, please.

Sakshi Trivedi: Hi. Thank you for the opportunity. I have a question regarding your US subsidiary as a distribution hub. What advantages does it provide for reaching American retail customers? And what product lines are you prioritizing for this market?

Parag Jhaveri: Well, the smaller customer over there and even some of the large customers are not comfortable to wait to plan 90 days or 120 days in advance. If you want to reach out to the end-user directly and to make a little more money, we need to have a stock there. And that's what we have learned from our European subsidiary, where we could reach out to more customers.

And even we are growing with them today probably because we have a stocking place in Rotterdam. So, the same concept has been applied to the USA. And we are expecting to start the commercial transaction from somewhere in January 2025.

Sakshi Trivedi: Right. Just another follow-up question. Can you provide more detail about the regions or markets driving the robust export demand? And are there any specific customer segments or product lines that are performing particularly well?

Parag Jhaveri: Well, we are growing very well into our industry segment. That is doing remarkably well for us. And we believe that that segment will take company through for next three to five years growth plan what we have in our place. So, that segment per se is helping us to grow the market share to reach out to the larger customer base.

Sakshi Trivedi: Right. One last question, sir. Are there any emerging or potential markets that you are considering for future expansion?

Parag Jhaveri: Yes, we do work with a lot of other countries, like Central America, Latin America. That's part of the world we are trying to expand our reach.

Sakshi Trivedi: Okay, sir. Thank you so much.

Parag Jhaveri: Thank you.

Moderator: Thank you very much. As there are no further questions from participants, I now hand the conference over to management for closing comments.

Parag Jhaveri: Thank you all. I would like to thank all of our investors for their confidence in our organization and we remain committed to create long-term wealth for our stakeholders. Thank you. Have a good day.

Moderator: On behalf of Yasho Industries Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.